

***PLEASE NOTE: Since the Glendale City Council does not take formal action at the Workshops, Workshop minutes are not approved by the City Council.**

**MINUTES
CITY OF GLENDALE
CITY COUNCIL WORKSHOP
April 3, 2007
8:30 a.m.**

PRESENT: Mayor Elaine M. Scruggs, Vice Mayor Manuel D. Martinez, and Councilmembers Joyce V. Clark, Steven E. Frate, David M. Goulet, Yvonne J. Knaack, and H. Phillip Lieberman

ALSO PRESENT: Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

1. FISCAL YEAR 2007-08 BUDGET: 2ND WORKSHOP

CITY STAFF PRESENTING THIS ITEM: Ms. Sherry Schurhammer, Management and Budget Director, Mr. Paul Brower, Budget Analyst and Mr. Art Lynch, Deputy City Manager.

This is a request for City Council to review the recommended Fiscal Year (FY) 2007-08 budget requests for the following departments, work groups, and programs:

- Follow up from the March 27 budget workshop
- Landfill/Sanitation supplementals: This item presented by Mr. Ken Reedy, Deputy City Manager, and Mr. Stuart Kent, Field Operations Director.
- Transportation supplementals: This item presented by Mr. Horatio Skeete, Deputy City Manager and Mr. Jamsheed Mehta, AICP, Transportation Director.
- Other funds supplementals
- Utility rates: This item was presented by Mr. Roger Bailey, P.E., Utilities Director.
- Utilities supplementals: This item was presented by Mr. Roger Bailey, P.E., Utilities Director.
- Preliminary capital improvement program, including the property tax rate
- Stadium activities supplementals

This item incorporates the Council's strategic goals and key objectives, while ensuring the city's financial stability by presenting realistic analyses about the provision of city services and future revenue expectations.

The material to be discussed is included in the budget workbook in the following tabs:

- Enterprise/Other
- CIP
- Stadium Activities

The utilities rate material will be presented in a separate council communication.

At the March 27, 2007 budget workshop, the Council requested follow-up on questions related to the public safety sales tax related to the second budget scenario presented to the Council. Specifically, the Council asked:

1. What are the current limitations on the use of the public safety sales tax?
2. Under scenario 2, what are the proposed uses for the public safety sales tax?
3. Will the uses be limited to the current uses allowed?
4. How long will the public safety sales tax fund address the needs of the police and fire departments?

The answers to these questions are provided below.

1. What are the current limitations on the use of the public safety sales tax?

The allocation of public safety sales tax funds was specified in the voter-initiated proposition, with $\frac{2}{3}$ ^{rds} allocated to police and $\frac{1}{3}$ rd allocated to fire. The purpose of the public safety sales tax was stated as:

Reducing response times and protecting neighborhoods by implementing community-based policing, combating gangs and violent crime, and providing backup for officers in dangerous situations; and improving fire protection and EMS by reducing response times.

Currently there are 33 police positions (23 officers, 6 detention officers, and 4 police communications specialists) and 18 fire positions (14 firefighters and 4 fire engineers) charged to the public safety sales tax funds. These designated sales tax funds also cover the costs of equipment purchases like radios, shields, laser speed devices, service guns, ammunition, and supplies for specialty teams

2. Under scenario 2, what are the proposed uses for the public safety sales tax?

The proposed uses are the same as the current uses, including the current allocation of $\frac{2}{3}$ ^{rds} for police and $\frac{1}{3}$ rd for fire.

3. Will the uses be limited to the current uses allowed?

Yes. Only the police and fire departments would be allocated funds generated by the public safety sales tax. Other departments, even those related to public safety like the prosecutor's office and the city court, would not be allocated any public safety sales tax funds.

4. How long will the public safety sales tax fund address the needs of the police and fire departments?

It is anticipated that the proposed 4/10^{ths} of one cent increase to the existing public safety sales tax would allow for implementation of the Police and Fire needs assessments, as presented in January of 2007, over a 3-4 year period. The General Fund would still be used to fund some items for these two departments, such as base budget operating cost increases.

The FY 2008-2017 preliminary Capital Improvement Plan (CIP) is included in this budget workbook for your review, consideration, and direction. The preliminary CIP reflects the Council's vision for a commitment to public safety, quality economic development, high quality services for the community, and a vibrant city center.

The preliminary plan is financially balanced. This means it complies with the state's constitutional debt limits and balances the use of incoming revenue streams with the use of fund balances. The financial projections used to develop the CIP are conservative and are based on our best prediction of future bond sales, interest rates, assessed valuation and other relevant variables.

The preliminary CIP incorporates a secondary property tax rate decrease of \$0.0756, from the current \$1.4275 to \$1.3519. For FY 2007-08, the lower secondary property tax rate is expected to generate \$24.7 million. When combined with the \$0.0244 decrease recommended for the primary property tax rate, Glendale property owners would realize a full \$0.10 decrease in the city's overall property tax rate, from \$1.72 to \$1.62. The \$0.0756 decrease in the secondary property tax rate allows the city to absorb significant increases in land and construction costs for existing projects in the current 5-year plan.

Multiple jurisdictions levy property taxes. For example, school districts, counties, community college districts, and special purpose districts like Maricopa County's health care district and the flood control district, levy property taxes in Maricopa County. Based on information provided by the Maricopa County Treasurer's Office, city government, on average, reflects only 11% of a property owner's tax bill. The following chart reflects the use of overall property taxes in Maricopa County:

Use of Property Tax 2006

Special Districts	7%
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Community College	10%
County	11%
Cities	11%
Schools	61%
Total	100%

Every year departments review existing projects in the current plan to ensure they are still viable projects that meet the Council goals and objectives, revised departmental master plans and the changing needs of the citizens. Projects that do not meet those goals are deleted.

Every year departments update estimated costs for all capital projects in the plan, based on current market conditions such as current construction costs for materials like structural steel, copper and brass, cement, and paving asphalt. Price escalation has been the norm in the construction industry with double-digit increases over the last three years. For example:

- structural steel prices climbed 15% in 2006;
- copper and brass costs increased 81%;
- wallboard prices went up almost 19%;
- paving asphalt jumped almost 28% in 2006; and
- cement prices have increased at a 12.4% annual rate for the past two years.

For the first five years of the existing plan, FY 2007 thru FY 2011, capital costs for general obligation bond-funded projects increased by \$49M:

- \$19M Public Safety
- \$13M Flood Control
- \$11M Streets/Parking
- \$5M Parks
- \$1M Library

The largest increases included:

- Public Safety Training Facility (\$7.5M);
- City Court (\$7M);
- Fire Administration Relocation (\$2.3M);
- Bethany Home Outfall Channel (\$6.1M);
- Bethany Home, 75th-67th Avenues (\$3.2M); and
- The Downtown Parking Garage (\$9M-\$11M).

Arizona's State Constitution limits the total outstanding principal on most G.O. bonds to 6% of the city's total assessed valuation. The 6% category includes library, cultural/historic, government facilities and economic development. Voter-approved

Proposition 104 moves public safety, streets/parking and transportation facilities into the 20% category with parks, open space & trails and flood control.

Over the past three years, the city's secondary assessed valuation increased an average of 8%. For FY 2007-08, the city will realize a 33% increase in secondary assessed valuation. The increases are the result of both the rise in property values, as well as continued growth in new construction activity. The city will continue to see growth due to new development throughout the city.

FY	Secondary Assessed Valuation	% of Growth
2005	\$1,144,550,017	6%
2006	\$1,269,568,147	11%
2007	\$1,370,989,076	8%
2008	\$1,827,019,187	33%

The FY 2007-08 property tax bill residents receive reflect the 2005 real estate market, and the FY 2008-09 property tax bill residents receive will reflect the 2006 real estate market, as illustrated below.

June 2007 Jurisdictions set tax rate for FY 2007-08 based on 2006 assessed valuation notices which reflects the 2005 real estate market.
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June 2008 Jurisdictions set tax rate for FY 2008-09 based on 2007 assessed valuation notices which reflects the 2006 real estate market.

As you review the plan, please note the following points:

- New projects are identified with a double asterisk --**-- in the project's title. New projects in the General Obligation (G.O.) Bond category have been added to the last five years of the plan with the exception of Pavement Management. Projects funded with development impact fees, intergovernmental agreements, grants and special revenues (water, sewer, sanitation, landfill and transportation) have been added based on availability of new funding in the first five years.

- All projects have a project number. Project numbers with the letter “T” reflect temporary numbers. These projects will have a permanent number assigned for the final budget document if funding exists in Year 1.
- Pay-as-you-go (PAYGO) projects are listed on pages 341-347 of the Capital Improvement Program section of the budget workbook. General Fund operating dollars fund PAYGO capital projects. Therefore PAYGO projects are balanced against supplemental budget requests each year.
- This year you’ll notice that “Technology Infrastructure” has been added to the General Fund, pay-as-you-go (PAYGO) category (pages 350-352). New IT infrastructure projects have been added to the last five years (2013-2017) of the CIP.
 - The Strategic Initiatives Group (SIG) submitted the projects in this category. SIG, with representatives from all city departments, was initiated to provide a viable, consolidated request for information technology infrastructure.
 - SIG compiled a list of information technology needs that meet three criteria: (1) Direct customer service benefits to citizens; (2) Creation of efficiencies in operations and cost savings; and (3) Technology that is crucial to operations using the current number of employees.
- Capital improvement projects in the Enterprise funds (water & sewer, sanitation/landfill and transportation) are financially balanced and supported by existing/proposed rate structures. There are four new projects in the Landfill fund that staff recommends be moved from FY 2013-17 to FY 2008. These projects support continued improvements and safety at the Landfill:
 - MRF Facility Improvements (pg. 325)
 - Landfill Gas System Expansion (pg. 325)
 - MRF Process Line Improvements (pg. 325)
 - Landfill Entrance Signal (pg. 326)
- As mentioned previously, the 2-inch overlay portion of the Pavement Management Program is included in years 1-5 of the Streets/Parking bond category (page 262). The \$8M for the 2-inch overlay and \$3.5M for the 1-inch portion (pgs. 442-443) will be funded by bonds backed by the designated sales tax revenue for transportation. This recommendation is supported by continued sales tax growth; the ability to leverage the sales tax growth with bonds and changes in Council priorities; and the timing of light rail.

The first budget workshop occurred on March 27, 2007. These budget discussions included the two budget scenarios and the supplemental requests for the Police and Fire Departments.

The Budget Workbook containing the city manager's recommended budget for FY 2007-08 was delivered to the Mayor and Council on Wednesday, March 14, 2007. It was posted on the city's webpage for citizens to view on Friday, March 23, 2007.

Glendale's budget is an important financial, planning and public communication tool. It gives residents and businesses a clear and concrete view of the city's direction for public services, operations and capital facilities and equipment. It also provides the community with a better understanding of the city's ongoing needs for stable revenue sources to fund public services, ongoing operations and capital facilities and equipment.

The budget provides the Council, residents, and businesses with a means to evaluate the city's financial stability.

All budget workshops are open to the public and are posted publicly per state requirements.

Future budget workshops are scheduled as follows:

- April 10, 1:30 p.m. – 5:00 p.m.
- April 17, 1:30 p.m. – 5:00 p.m. (If needed)

Today's workshop is for information only. Decisions on the proposed budget will not be requested until the final balancing workshop, scheduled for April 10, 2007.

Mr. Ed Beasley, City Manager said the budget workshops began last week with a presentation on the General Fund operating budget that included two different budget scenarios. He said there were a number of questions resulting from that meeting that would be answered in today's meeting.

Mr. Lynch, Deputy City Manager, said today's presentation would address Council's follow up questions about the public safety sales tax rate adjustment presented in scenario two. Today's workshop also would address all other supplemental requests except for those related to total compensation, which will be addressed at the April 10 budget workshop. Today's workshop also would address the proposed utility rates and the proposed capital improvement plan. The recommended budgets for the capital plan and other operating funds are financially balanced between revenues and expenses. He said the proposed budgets are financially prudent and are consistent with sound financial practices. He noted that no decisions are needed until the final balancing meeting on April 10, 2007.

Ms. Schurhammer, Management and Budget Director, began the presentation with an answer to one of Council's four questions regarding the public safety sales tax related to

the second budget scenario. She noted that the existing ordinance governs how the public safety sales tax revenue is used currently. Mr. Bolton, Assistant Management and Budget Director, further explained how the current public safety sales tax revenue is used. He said that revenue covers customary expenses in the police and fire departments according to the purposes stated in the 1994 ordinance establishing the ordinance. Currently, there are 33 police positions and 18 fire positions funded with the public safety designated sales tax revenue, along with equipment like turnout gear and police radios.

Ms. Schurhammer said the existing ordinance would continue to govern how revenue that is generated by an adjustment to the existing tax is used. That means two-thirds of the revenue would be allocated to the police department and one-third of the revenue would be allocated to the fire department. She said costs in other General Fund departments such as the city court or the city prosecutor's office would not be allocated to the police and fire sales tax funds. The normal budget process would prevail for the use of the sales tax monies with proposed uses brought to Council for review and consideration, as is done now.

Mr. Bolton said the proposed adjustment to the public safety sales tax should allow implementation of the police and fire needs assessments over a 3-4 year period. Based on the growth in the existing designated sales tax funds that has been experienced in the past and the current year, the proposed adjustment to the public safety sales tax is expected to sustain the police and fire departments for many years. Also, once the needs assessments are implemented, the needs of the police and fire departments are expected to level off to more moderate levels.

Councilmember Lieberman said this fund will grow with the continued growth of the city. He said the transportation tax was estimated to produce \$18 million each year when it was passed, and now that revenue source was generating up to \$26.4 million a year. He said this sales tax was slated to grow or surpass the transportation tax because it is based on a similar tax rate.

Councilmember Clark asked if Council were to accept scenario one, how long it would take to meet the needs addressed by the police and fire department. Ms. Schurhammer said the implementation time for the public safety needs assessments under scenario one is unknown because it depends on growth in additional capacity in the General Fund. Currently, there are many demands on that additional capacity for cost increases related to fuel, electricity, and benefits like retirement contributions. Councilmember Clark asked if police and fire needs assessments would be implemented in three to four years under scenario two. Ms. Schurhammer said yes based on the assumptions made regarding revenue growth.

Mr. Beasley said the purpose of the assessment was to catch up and was based on growth for several years. He added that this would provide them with the extra funding they need to get established; however they would see a leveling off in 2010 – 2011. Staff will continue to keep Council informed each year on the assessments. He added

that this would allow the departments to sustain themselves further in the future than what is being done now.

Vice Mayor Martinez said he believed Council would have to choose scenario two so the police and fire departments can catch up. If Council chose scenario one, Council would have to look for ways to reduce funds for other programs in order to provide additional funds to public safety.

Mayor Scruggs said the city will continue to grow; therefore Council will need to continue to find ways to fund city's needs. She said she does not believe there will be a leveling off of costs in the future because of the city's continued growth. She asked staff to be direct when requesting funding.

Mayor Scruggs asked how much is generated for every one-tenth of one cent. Ms. Schurhammer said each one-tenth of one cent equates to approximately \$5.6 million.

Mayor Scruggs noted that of that amount police would receive \$3.7 million and fire would receive \$1.9 million. She said to fund 14 police officers would cost \$1.1 million. Mayor Scruggs asked Ms. Schurhammer if the 4/10th of one cent adjustment were approved, would the 14 police officers added under scenario one would be funded from the sales tax. Ms. Schurhammer stated that she was correct and added that everything in the police and fire tabs of the budget workbook would be moved to the public safety sales tax fund under scenario two.

Mayor Scruggs said their budget workbook material stated that with a raise of 4/10th of a cent they would gain \$3.7million in General Fund capacity to spend on their things. She asked for an explanation on the \$3.7 million in the General Fund. Ms. Schurhammer stated that it was a combination of two numbers. \$2.3 million was the starting point for the total General Fund capacity after supplementals and \$1.4 million is the total compensation amount attributed to police and fire beginning next fiscal year.

Mayor Scruggs asked if there were any limitations as to what can be paid out of the public safety tax fund. She stated she envisions this tax being used for police, fire and to support the personnel needed for maintenance. She explained that if voters were to be asked for a tax increase, it should be meant to fund personnel, nothing else. She added that she would like to keep the focus on generating funds for new personnel.

Mr. Craig Tindall, City Attorney, stated that the restrictions on the use of the public safety funds implemented in the initial ballot would still be in place; therefore they would still be used for personnel and incidental expenses related to personnel such as vehicles.

Mayor Scruggs said she believes this tax to be an offshoot, therefore Council could put new restrictions on the tax. Mr. Tindall stated that it depended on if this was a new tax or an extension of the old one. He added that only with a new tax could additional restrictions be put in place.

Councilmember Clark stated that Mr. Tindall's comment left two alternatives to consider. Mr. Tindall commented that she was correct.

Councilmember Goulet stated citizens would like properly equipped officers as well as support staff to help enable them to do their job accurately.

Vice Mayor Martinez suggested amending the ordinance rather than risk losing it by adding it to the ballot. He noted that Council could include language to ensure the revenue would be used only for police and fire. Mr. Tindall said the ballot measure could be structured so it would not strike out the existing ordinance if it passed.

Mayor Scruggs said there had been talks over the years to eliminate the existing sales tax on food. She said she does not support this measure because it would undermine the City of Glendale's entire budget beyond repair. She questioned the added tax on food because it has become such a sensitive subject. She might consider a tax increase if the proposed 4/10^{ths} of one cent adjustment excludes food.

Councilmember Clark said she has always been opposed to a tax on food; however the idea of simply excluding food for the proposed increase was interesting. She said staff would have to work on a new revenue number that excluded food.

Councilmember Lieberman said residents overwhelmingly endorsed an increase to the sales tax for public safety at a recent meeting he attended. With regard to the food tax issue, he explained that many people shop at grocery stores in Glendale, but reside in the Phoenix area and have no problem with the tax. He said he was in favor of the sales tax adjustment. He asked if Council would have to wait until an election passed in order to implement scenario two. Mr. Tindall said the budget office had indicated that scenario one would be used until the ordinance was passed by the voters; if the proposed adjustment passed, then budget amendments would be done to facilitate implementation of scenario two. Councilmember Lieberman stated that in essence they would be agreeing to both scenarios until scenario two became effective. Mr. Tindall stated that he was correct.

Councilmember Goulet commented that if they were to exempt food from the tax, they would be demonstrating to the community that this tax was needed and they were not just raising taxes on everything. He noted that food prices were already very high on their own.

Mayor Scruggs discussed different scenarios such as possibly delaying items in the CIP or borrowing from the General Fund as an alternative.

Mayor Scruggs inquired about the ongoing cost for a police officer. Ms. Schurhammer said an officer, fully equipped, costs about \$75,000 per year.

Mayor Scruggs suggested reallocating some of the current ongoing General Fund

monies from the replacement funds to public safety, and to replace that reallocated funding with one-time monies so the replacement funds remain funded. She said there would be no draw back. She said this was one way, as Vice Mayor Martinez mentioned earlier, to find additional resources to implement more of the two assessments. She said this should and would be an option for further consideration.

Councilmember Lieberman agreed with Mayor Scruggs. He said this approach could be used until scenario two is passed by the public. He said fire and police have been keeping Council informed about their needs with their respective FY 2006-07 staffing studies.

Mayor Scruggs stated it was essential to leave options open for unforeseen situations that may occur.

Councilmember Goulet said the key issue was trying to solve community problems related to public safety services.

Councilmember Knaack said she also believes the city will always play catch-up because of the many demands placed upon public safety. She also asked what percentage the tax would need to be to make up for the loss of revenue if food were excluded. Mayor Scruggs said she would also like to see those numbers. She said by her calculations it would be about 10%, if food were excluded.

Mayor Scruggs said the fire department had done an excellent job with its needs assessment. She said the ongoing equipment needs of the police and fire departments could belong in a new public safety tax structured to meet everyone's needs.

Councilmember Clark said both agencies have different needs to be evaluated, with police needing the most because of their personnel issues. Mayor Scruggs said even if police needed larger funding, the fire department numbers were also very high.

Councilmember Goulet said each department's needs were different and very important for them to continue to serve the community.

Ms. Schurhammer continued her presentation. She introduced the supplemental requests for the enterprise funds as well as other funds. She said the enterprise funds are self supporting and therefore do not impact the allocation of additional General Fund capacity. The supplemental requests for the enterprise funds and all other funds address Council's goals regarding high quality services for the community. She highlighted the \$3.5 million supplemental request in the GO! transportation operating program for the one inch overlay for half mile and neighborhood streets. She explained that the two inch overlay component of the pavement management program is included in the GO! transportation capital program and would be discussed when the capital program is presented to Council.

Councilmember Lieberman asked how this would affect CTOC. Ms. Schurhammer said

the one inch overlay (\$3.5 million) and the two inch overlay (\$8 million) components of the pavement management program would be financed thru long-term debt financing (bonds) to be repaid with GO! transportation revenues. The annual debt service payments on each \$11.5 million increment of bonds would cost approximately \$1.5 million. She said this approach would allow the GO! transportation capital program to fund an annual capital budget of about \$60 million for the next several years.

Councilmember Goulet inquired about the anticipated rate of growth for the Materials Recovery Facility (MRF). He asked if tonnage was growing at a three or five percent rate. Mr. Stuart Kent, Field Operations Department Director, said he believed the rate of growth was in that range. He added that he does not expect any decreases, only steady increases. The size of the MRF was sufficient for continued growth. He said growth in tonnage does impact the process of sorting the material and therefore staff adjusts its staffing levels accordingly, as well as other factors. He said the landfill was a different operation and that it would take a much larger increase to make a significant impact.

Councilmember Lieberman asked if any other cities were using our MRF facility. Mr. Kent said Avondale and Surprise use the facility. He said there were 11 full time employees and 34 temporary employees.

Mayor Scruggs had a question about information on page 448 regarding the tax subsidy program. She seemed to recall that the program was estimated to cost \$100,000. Mr. Horatio Skeete, Deputy City Manager, said the original estimate was \$100,000, but experience over the past year has shown that \$70,000 was adequate. Mr. Jamsheed Mehta, Transportation Department Director, explained that the pilot program takes qualified residents in the Glendale area to medically-related appointments such as kidney dialysis, providing up to 2000 trips within a 19 month period. He stated that the program was initially funded with \$100,000 however they have found that \$70,000 was adequate.

Councilmember Clark had a question on page 440 concerning a supplemental increase of \$156,000 for indirect cost allocation. Mr. Mehta said the level of activity in the GO transportation program has increased significantly and therefore the services provided by General Fund departments has grown in scope. Mr. Reedy noted that several General Fund departments provide services to the GO! transportation program, and that these services would have to be independently provided and paid for if the General Fund departments did not provide the services. Councilmember Lieberman likened the allocation to charge backs for different departments. Mr. Reedy said it represents the increase in the cost of the General Fund services provided to the GO! transportation program by General Fund departments such as finance, city attorney, human resources, and management and budget.

Councilmember Goulet asked for clarification on the street light maintenance cost increase due to street light conversion (page 444). Mayor Scruggs said the additional energy cost is included in the \$500,000 supplemental request. The additional energy cost was \$80,000 of the half million request. Mr. Mehta said half of the city's street

lights were old low pressure sodium lights. New lighting would be added to older areas of the city including areas with low lighting. He said the department also is installing a monitoring system called ROAM (Remote Operation Asset Management) that alerts the department when lights are out in an area. Councilmember Goulet said he was glad this project was being addressed.

Councilmember Clark noted that the ROAM contract was \$167,000 and asked what services would be provided for this amount. Mr. Mehta said the monitoring company receives information about street light outages as soon as they occur and immediately informs his department of the outage location. Councilmember Clark commented that the problem with the response times might be partly because of the contractors doing the repairs. Mr. Mehta said there were a lot of reasons why street light outages take time to repair with the major reason being the 30 to 40 day turn around for power by the utility companies.

Vice Mayor Martinez posed a question regarding the traffic mitigation supplemental request on page 458. He asked about the number of requests for speed humps or other types of traffic mitigation were in the works. Mr. Mehta said the department was caught up with most of the requests that had been logged. Vice Mayor Martinez asked if \$150,000 would be sufficient for additional types of mitigation that were more expensive. Mr. Mehta said he believes the amount would be sufficient for the upcoming fiscal year, but the amount might have to be adjusted for the following fiscal year as new technologies are introduced.

Mayor Scruggs asked for clarification purposes if all the items on pages 438 thru 465 would be funded out of the GO! transportation program. Mr. Mehta answered that she was correct.

Councilmember Frate asked if any new bus shelters were planned for next fiscal year. He said he received calls on that subject repeatedly. Mr. Mehta said the average cost of a full bus shelter was \$10,000 and that the capital program listed \$342,000 annually for bus stops and shelters. He said staff had identified the priority routes and those would be the priority for additional bus shelters.

2. UPDATED UTILITIES RATES ANALYSIS

CITY STAFF PRESENTING THIS ITEM: Mr. Ken Reedy, Deputy City Manager and Mr. Roger Bailey, P.E., Utilities Director.

This is a request for the City Council to review and provide direction on the proposed update to the water and sewer rates.

An annual review of the city's water and sewer rates is consistent with the Council goals of a city that is fiscally sound and that provides high-quality services for its citizens.

The Utilities Department hired a consultant to conduct annual comprehensive water and sewer cost of service study. The study evaluates all current water and sewer rates, system revenue generation and full-cost recovery. The consultant provides recommendations for rate structures that will meet all revenue and debt service requirements of the Utility Enterprise Fund.

On November 14, 2006, the Council authorized Red Oak Consulting to conduct an independent assessment of the existing rates, fees, revenue generation and full-cost recovery for Fiscal Year 2006/07 and provide recommendations to Council to ensure the Utilities Department continues to remain fiscally sound into the future. This study has been completed and presented on an annual basis since 2003.

On June 13, 2006, following the legally prescribed public hearing, the Council authorized the adoption of a resolution implementing water and sewer rate adjustments, effective with the October 2006 utility billing.

On May 9, 2006, the Council adopted a notice of intent to increase water and sewer rates and set the public hearing for June 13, 2006.

At the March 7, 2006 Council Workshop, consultant Black & Veatch updated the February 2, 2004 annual Water and Sewer Rate Analysis and presented their findings and recommendations.

On October 26, 2004, following the legally prescribed public hearing, the Council authorized the adoption of a resolution implementing water rate adjustments, effective with the January 2005 water utility billing.

On December 16, 2003, the Council directed staff to proceed with implementation of a ten-year annual water or sewer rate increase beginning with the first increase in water rates, effective with the January 2005 billing. Per Council direction, this authorization was predicated on an annual review of the utilities needs assessment and the water and sewer rates.

On June 5, 2001, the Council authorized a three-year series of sewer rate increases, beginning with the November 2001 billing and ending with the February 2004 billing.

The annual review of the water and sewer rate schedules will enable the city to maintain its current level of service to existing residents, as well as support future growth.

The annual review provides the Council with current information to determine the need to increase rates.

Prior to any formal action by the Council on changing utility rates, public notice is given and public hearings are held.

The recommendation was for the Council to consider and provide direction on water and sewer rates.

Mr. Ken Reedy, Deputy City Manager presented the annual review of the city's water and sewer rates that were consistent with the Council's goals for the city. He stated that it was fiscally sound and it provided high-quality service for the citizens of Glendale.

Councilmember Clark inquired about an increase of \$25,000 in on-going expenses to replace water meter boxes and a \$75,000 increase for the water meters themselves. Mr. Roger Bailey, Utilities Department Director, said the \$25,000 was to repair or replace the meter box; they try to replace them every ten years.

Mr. Reedy presented the next phase of the water and sewer discussion. He stated their goal was for utilities to provide instantaneous service 24 hours a day 7 days a week. They will continue to improve the existing system as well as expanding it for growth and regulatory requirements. They will be expanding to the Oasis treatment that will provide a dramatic improvement in water treatment capacity to meet the growing needs to the west. The plant will start operation this year.

Mr. Bailey discussed the key findings of the current rate study. He explained that previously they projected that the fiscal year of FY 2007-08 would require an increase in water sale revenue of 15%. The current study has projected that instead of 15% revenue increase they only need a 13% increase for water and 12% in sewer. He said that they are recommending different rates for different block structures. He noted that the lowest water users would see a decrease in their rates. These studies were based on conservation strategies as well as cost reduction in certain areas. He noted that the median customer will see an increase of \$1.00 for water and \$3.16 for sewer. The additional revenue will be used to maintain the utilities facilities and keep them in compliance with federal regulations as well as other maintenance issues.

Councilmember Frate asked how this would affect the people who only use their homes in the winter months. Mr. Reedy stated that this change would be to their benefit.

Councilmember Knaack stated that she liked this plan because it was fair to the citizens and also promoted conservation and penalizes the people who waste water.

Councilmember Clark asked why the sewer cost had risen to \$3.16, which seemed high. Mr. Reedy stated that in the past it was managed as a single fund and was not adequately funded. Therefore the increase was in part to play catch-up as well as to refurbish the regional plant on 91st Avenue in Phoenix which manages solids that Glendale does not treat. Mr. Reedy discussed their goals to replace old sewer lines.

Councilmember Clark asked what percentage was attributed to debt service. Mr. Bailey stated that the current debt service on the water side was \$10 million and the on the sewer side it was \$7 million.

Councilmember Frate commented that he was astounded by the sheer magnitude of the work that was associated with these treatment plants that we all take for granted. He asked how many miles of water pipes were in the city. Mr. Reedy stated that the water lines were in excess of 700 miles and the sewer lines were over 500 miles.

Mayor Scruggs asked what the next step was for the rate adjustments. Mr. Reedy replied that they will go through the budget process and then enter into the regulatory requirements that require them to give notice of intent to raise rates, hold a public meeting and then have Council take action on a rate increase that will take effect with the October billings.

Mayor Scruggs noted that Council was in agreement for this rate increase to move forward and be implemented in October of 2007.

3. Capital Improvement Plan (CIP)

Mayor Scruggs said she would like to ask some questions about the material covered prior to the utilities rate discussion. She specifically wanted to talk about the public safety sales tax supplementals on pages 468 to 473. She said page 470 showed a supplemental request for a one time expense of \$116,406 and an on-going expense of \$3,577 to purchase various kinds of equipment for the motorcycle officers, detention officers, and neighborhood response squads. She added that the supplemental on page 472 requested funds to purchase office furniture for various police locations. She asked if all this would come out of the existing public safety tax. Mr. Lynch stated that she was correct. Mayor Scruggs asked if the city would cease using the General Fund for equipping these facilities and only use public safety sales tax revenue for these kinds of purchases. Ms. Schurhammer explained that when they build new facilities the furniture is purchased as part of the capital project, but replacement furniture typically is not funded on an ongoing basis in any department's budget. However, for a large department like police, it would make sense to fund some level of furniture purchases.

Mr. Lynch introduced this part of the presentation by noting that the proposed capital plan incorporates Council's strategic goals and includes specific projects identified in Council's key objectives. Examples he cited included the public safety training facility that would be completed later this fiscal year, the downtown parking garage, the new city court facility, and the relocation of fire administration. He concluded his introduction by saying that the capital plan incorporates Council's desire to lower the city's property tax rate by proposing a \$0.10 decrease in the city's total property tax rate, from \$1.72 to \$1.62.

Ms. Schurhammer explained the four parts of the proposed capital plan presentation. She noted that the proposed plan was based on the existing ten year capital plan that incorporates updated cost estimates for construction. She explained that the plan was financially balanced because it balances the use of incoming revenues with outgoing expenses for debt service. For example, the general obligation bond category of

projects balances the use of incoming revenues from the secondary property tax and development impact fees, against the annual debt service obligation as a result of implementing general obligation construction projects. The proposed plan also includes the property tax reduction related to capital projects in the general obligation bond category, which is funded with secondary property tax revenue.

Ms. Schurhammer said one of Council's strategic goals is sound fiscal management based on the timely disclosure of project costs, the continuation of a budget process that explains real costs, and the assurance that revenue streams can meet the city's obligations. Consequently, the capital plan is annually updated to reflect the current construction environment so Council's strategic goals can be met by implementing capital projects within the expected timeframes. She said construction costs had increased substantially, with double-digit increases over the past three years for commonly used materials like cement, structural steel, paving asphalt, and copper. She referenced the slide that detailed an increase of \$49 million in the general obligation bond category of capital projects for the first five years of the current capital plan. Public safety projects realized the biggest increase at \$19 million, with flood control projects experiencing a \$13 million increase, and streets and parking projects realizing an \$11 million increase. Parks and library projects experienced a \$5 million and a \$1 million increase respectively. Ms. Schurhammer said these cost increases were included in the proposed capital plan.

Mayor Scruggs discussed the issue of the levy to reflect new construction as discussed earlier at several other meetings. She stated that what had been discussed earlier was that the property tax rate would be adjusted so as to not have a wind fall effect, which would be unfair to the tax payer. She stated that the offered 5.8% decrease in the tax rate was not comparable to the city's 33% increase in secondary assessed valuation. She went on that it could be reduced further; however it had not because of projects that have been moved up. She stated that they made a commitment to the citizens that property tax rates would be adjusted accordingly so the citizens would not absorb the estimated 40% to 60% increases. She added that she was embarrassed that nothing had been done on the matter which had been clearly stated.

Councilmember Goulet asked for alternatives for tax decreases other than the \$0.10 option. He said that with only one option it was difficult to make a decision on the matter.

Councilmember Lieberman asked to see a list of items that needed to be paid or purchased this year to help understand other debts and bonds and how much revenue is needed to help pay this year's debts.

Vice Mayor Martinez stated that it was a good idea to obtain further information on projects that are not being paid out of the CIP.

Ms. Schurhammer explained that every \$2 million reduction in the first five years of the proposed general obligation bond program results in an approximate secondary

property tax rate decrease of one cent.

Mr. Beasley said staff would provide a list of projects based on 10, 20, 30, 40, and 50 cent reduction scenarios and Council would decide how to proceed.

Mayor Scruggs reiterated that she was disappointed in the 5.8% decrease when it was clear that they should have been working on new construction based on normal inflation and would base that on the new property tax rate.

Councilmember Clark stated that when discussing where to cut revenues it would most likely be parks and recreation items because the capital programs for the enterprise funds, including the GO! transportation capital program, are not funded with secondary property tax revenue. She noted that Council might have to decide between the new court facility and west branch library because both facilities have additional operating costs estimated at over \$2 million each. She said Council really needed to look at services and amenities being offered in west Glendale and look closely at projects that are deferred.

Mr. Lynch stated that the proposed tax changes that have been received have a percent increase of 28.95% with 26.21% as secondary and 2.75% as the primary section. These are increases that range from approximately 28% to 44%. Those increases amount to between \$69 increases in the levy to up to \$167. He said that it was this information that was used for computation on how much of an adjustment could be made to keep in tact those projects which had already been stated as goals. He explained that their efforts were to utilize where there was existing commitments and resources. Mayor Scruggs stated that she was unclear as to why it was only a 28.95% increase in the levy when everyone saw the huge jump in the property assessments. Mr. Lynch responded that the information was for the 2006 total levy versus the proposed 2007 total levy. Mayor Scruggs added that she spoke to people across the city and never heard anything less than 50% in property tax assessment. Councilmember Lieberman explained that there was a difference in assessed valuation and the real estate price on the property.

Ms. Schurhammer provided information about the many jurisdictions that can levy a property tax. According to the county assessor's office, the percentage of a property owner's property tax bill attributable to different taxing jurisdictions shows that cities comprise about 11% of a total property tax bill, on average, in Maricopa County. She said that means that 89% of a property owner's property tax bill is, on average, attributable to other taxing jurisdictions like school districts, the community college district, the county, and special districts. School districts, on average, comprise 61% of a property owner's property tax bill.

Ms. Schurhammer said an important consideration for the future fiscal year's budget would be which large capital projects would move to the construction stage provided their large impact on the operating budget. The two projects in question are the City Court and the West Branch Library, both of which are scheduled for construction in FY

2009. Under scenario one, a decision would have to be made as to which would move on to construction because it would be unlikely that the city could afford to open both facilities in the same fiscal year. Under scenario two, it would be more likely that both facilities could be funded in the General Fund if they opened in the same fiscal year.

Councilmember Clark asked a question in reference to the Sahuaro Ranch Visitor's Center (page 283). She noted that the projected O&M cost was \$85,000 when it comes on line, however in previous years it had been \$225,000 for O&M. She asked what had occurred for it to have dropped 2/3. Ms. Gloria Santiago-Espino, Deputy City Manager, said the decrease was attributable to the fact that in FY 2006-07 Sahuaro Ranch staff was funded through the budget process. The \$85,000 is for part-time staff for the Visitors Center.

Councilmember Clark asked about the park and ride lot (page 248). She said the CIP project description showed an operating impact of \$33,000, yet the security contract at the park and ride at loop 101 was \$88,000 per the operating budget supplemental request for FY 2007-08. She asked if the \$33,000 reflected the security contract costs. Mr. Skeete stated the \$33,000 reflected in FY 2007-08 is in addition to the security contract.

Mayor Scruggs asked if the park and ride would come on line this year or would it only be used for stadium games. Mr. Mehta said construction would begin in about two weeks and that once it was completed it would be used as a park and ride lot.

Mayor Scruggs discussed issues concerning the light rail capital project (page 248) in the GO! transportation capital program. She said there were three issues that needed to be resolved before it could move forward. One was to determine the expected level of ridership on the three different proposed routes. The second was related to ADOT's refusal to allow any plans to move forward that involve crossing I-17 because of future development on I-17. Third was the amount of funds being contributed by the City of Phoenix. Mr. Mehta said his department would be working with Phoenix on the light rail project and that funds planned for FY 2008 through FY 2010 would be used for preliminary studies only.

Councilmember Clark discussed the new project for the Arrowhead Mall transit center. Mayor Scruggs asked where the Arrowhead Mall transit center (page 255) would be placed. Mr. Mehta explained that they do not have a site selected yet, however the 2001 election information about the GO! transportation sales tax said there would be a transit center in downtown Glendale and one somewhere in the Arrowhead Mall area. Mayor Scruggs asked why it was put in this budget if it clearly was not ready. Mr. Mehta stated that the need to identify a transit center location was a high priority and would be one of the early deliverables from the Transportation Plan Update contract.

Councilmember Goulet asked about the petition lighting program (page 261). Mr. Mehta said this was a program that required the citizens to petition the city if they feel additional lighting is needed. Councilmember Goulet said that the burden should not be

placed on citizens to determine if additional lighting is needed. Mr. Mehta said there were people who liked being in a dimmer environment therefore it would be up to residents in an area to decide. He added that this was the same project talked about earlier, however this part of the project was to add additional street pole lighting rather than fix lighting as previously discussed. The turn around time for placement would run from 12 to 18 months.

Councilmember Goulet asked if the city was still doing street scallop projects (page 261) for beautification purposes. Mr. Larry Broyles, Engineering Department Director, said the street scallop program has been in place since 1991. He said there is one last project for this fiscal year. He said there remains a total of 21 miles to complete in the future.

Councilmember Frate asked about the recent intersection improvements on 67th Avenue and Bell Road and when the beautification would be completed. Mr. Broyles replied that it would include concrete work for turning lanes and landscaping. Councilmember Frate said there were always difficulties during the construction phase, however the improvements and long-term benefits are tremendous.

Vice Mayor Martinez asked about the grant match showing a cost of \$2 million for the next five years and asked if it was a continuous expenditure. Ms. Schurhammer said it was set up that way in case a grant was received, but the appropriation authority cannot be used by the Transportation Department unless a grant is actually awarded and received.

Councilmember Clark asked about the construction at 67th Avenue and Camelback Road. Mr. Broyles said the project had been delayed because of unforeseen problems with utility poles. He said an estimated completion date is April or May.

Mayor Scruggs asked a question regarding the downtown parking structure discussed on page 261. She asked why the operating expense went up 300% between FY 2007-08 and 2008-09. Ms. Schurhammer said it was partly because the structure was estimated to be open only half of the year in FY 2007-08. Mayor Scruggs asked for more information about the estimated operating expenses. Ms. Karen Thoreson, Economic Development Department Director, said \$265,000 would cover the estimated utilities costs for a full year. She said the rest was for upkeep and general maintenance of the facility. Mayor Scruggs asked about rental revenue opportunities for the facility. Ms. Thoreson said rental revenue would be in the range of \$150,000 to \$200,000 once the retail portion was fully leased. She said a monthly parking fee for spaces on the lower basement floor would add revenues of \$50,000 to \$60,000.

Mayor Scruggs asked a question regarding the establishment of a new street maintenance crew that would be funded from the capital improvement fund noted on page 267. She asked if it was only for crew equipment, not personnel. Ms. Schurhammer stated that she was correct.

Mayor Scruggs commented on future projects that were slated for potential budget funding. She stated for the record that she does not want to see any of these projects come forward until they are ready for them in the budget. She said if they were to come forward earlier than anticipated, it could cause them to look at property tax rates differently. She asked Ms. Schurhammer if she thought any of these projects would be moved into the five year funding plan. Ms. Schurhammer said the plan brought forward to Council today came with no new projects that were moved forward from the last five years to the first five years other than the pavement management two-inch overlay. Mayor Scruggs added that she had brought this up because she does not want any surprises in the future.

Mayor Scruggs asked about the funding for the West Branch Library capital project (pages 295 and 297). She noted that library-related development impact fees are budgeted for this project in FY 2007-08, and general obligation bond funds are budgeted in FY 2008-09. She asked why the funding was split between two different fiscal years. Ms. Santiago-Espino said the design portion of the project was planned for FY 2007-08, with construction planned for FY 2008-09.

Mayor Scruggs discussed guidelines on the use of the new public safety tax. She asked Mr. Lynch if the new tax would be off limits for uses other than personnel and equipment. He said the intent is to continue funding large ticket capital items from the CIP, as is the case now. He added that Council's direction would determine how the funds could be used.

Councilmember Lieberman discussed the 303 infrastructure project budgeted in the General Fund revenue obligations category (page 335). He asked if the Arizona Department of Transportation (ADOT) would be covering any costs. Mr. Lynch said the project was created in the event new development occurs in the 303 area.

Councilmember Clark discussed the legislature's efforts to penalize cities for offering incentives to spur development and wondered if those efforts could impact the planned development around the 303 area. Mr. Tindall said he would look into it.

Ms. Schurhammer said the workshop would conclude with a discussion about the supplementals related to stadium activities. She said the stadium-related supplementals were divided between two different funding sources, the General Fund and the National Events Reserve within the General Fund. She said the National Events Reserve would be used for supplementals related to events that occur only occasionally, such as the Super Bowl. She said ongoing stadium related activities are reflected in the General Fund, as is the case for ongoing arena related activities. Ongoing stadium-related activities include staffing for ongoing events like the regular season Arizona Cardinals football games, the Fiesta Bowl game, and other large-scale events scheduled like expositions and trade shows. Those supplementals planned for the General Fund assume 80% revenue recovery for police and fire game day staffing only. She explained that this means there is no cost recovery assumed for the transportation, marketing, and community partnership supplementals. Vice Mayor

Martinez asked if the revenue recovery covered only fire and police staffing inside the stadium on game days. Ms. Cathy Gorham, Director City Manager Relations, said the revenue recovery for fire addressed staffing only inside the stadium; fire staffing outside the stadium has no cost recovery. For police staffing, revenue recovery is assumed for inside and outside the stadium. Global Spectrum, the management company for the stadium is billed for the services covered by the agreement currently in effect.

Mayor Scruggs said that the total on-going expense for the Fire Department for Cardinals football games is \$166,973. She asked if this figure includes the revenue offset. Ms. Gorham responded yes. Ms. Schurhammer added that the revenue offset for this supplemental request is assumed to be \$52,200 as shown on pages 199 – 200.

Mayor Scruggs asked if the Fiesta Bowl reimbursed the city for some expenses and Ms. Schurhammer said yes.

Chief Burdick said the city is in the process of renegotiating the contract to recover some of the costs related to fire staffing outside of the stadium .

Councilmember Clark asked about the Fiesta Bowl tourism collateral supplemental (page 189). Ms. Gorham said it was a comprehensive marketing campaign that would be beneficial to the city. As an example, she noted the marketing campaign undertaken in the current fiscal year prior to the Fiesta Bowl and Bowl Championship Game. She these marketing efforts provided benefits to the community that could be seen in the spike of inquiries the city received regarding the Glendale community.

Councilmember Clark inquired about the Police Department's supplemental request related to staffing for the Fiesta Bowl (page 193). She noted that the ongoing request is for \$198,580, while the one-time request was \$462,920. Ms. Gorham said the one-time request was related to the purchase of equipment needed for the event. She said both fire and police borrowed equipment from other agencies during this past season and now have a better idea of which equipment is really needed.

Councilmember Lieberman asked about the Transportation Department's stadium-related supplemental request for \$698,113 in ongoing funds plus some one-time funds. Ms. Gorham said the request was related to transportation that had to be provided in and around the stadium.

Mayor Scruggs asked if the Fiesta Bowl committee had put a hold on the arena on game day. Ms. Julie Frisoni, Marketing and Communications Department Director, said the city had been working very aggressively toward having a concert of some sort on game day or other game related events. However, for reasons related to the concert schedule of major performers, an event could be not secured so the Fiesta Bowl used the facility for other purposes. She said staff would like to try scheduling a major performer for next year's Fiesta Bowl game.

Councilmember Clark asked a question about parking at Westgate. Mr. Tindall said Westgate had a contract to provide 5,500 parking spaces. He noted that there was a mechanism in place to handle parking for all the events.

Councilmember Knaack wanted clarification on the revenue off-set being only for personnel, not equipment. Ms. Gorham said she was correct. Councilmember Knaack asked if renegotiations were underway with Global Spectrum, and Ms. Gorham said yes.

Ms. Schurhammer continued her presentation with a summary of the issues to be addressed at the next budget meeting. She went over items that will be brought back to address Council's request for further information. Mr. Lynch reiterated the items that will be brought forth for the next meeting.

Mayor Scruggs discussed the tax levy issue and how she would like it to be handled. She stated that her main concern was not to weigh the tax payers down with a tax burden because of the high assessments. Mr. Lynch stated that staff had tried to accomplish both goals by reducing the tax and maintaining Council's goals. He noted that they will go back and examine if there was anywhere that can be further adjusted.

Mayor Scruggs stated that she would have rather seen a variety of options brought forth, rather than only the \$1.62 scenario. She noted that she was still not comfortable with the 5.8% reduction; however the rest of the Council might feel comfortable with it.

Councilmember Lieberman clarified that the reduction was 7.56% which would reduce the tax rate 10 cents.

Mayor Scruggs stated that the next meeting will be from 1:30 to 5:00.

ADJOURNMENT

The meeting was adjourned at 5:00 p.m.